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Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

March 2018: budgetary deficit of $10.6 billion

There was a budgetary deficit of $10.6 billion in March 2018, compared to a budgetary deficit of $10.4 billion reported for March 2017. Revenues increased by $1.6 billion, or 6.5 per cent, reflecting increases in tax revenues and Employment Insurance (EI) premium revenues. Program expenses increased by $1.8 billion, or 5.3 per cent, largely reflecting an increase in direct program expenses. Public debt charges increased by $0.1 billion, or 4.8 per cent.

April 2017 to March 2018: budgetary deficit of $16.2 billion

For the April to March period of the 2017–18 fiscal year, the Government posted a budgetary deficit of $16.2 billion, compared to a deficit of $21.8 billion reported for the same period of 2016–17. Revenues were up $15.7 billion, or 5.4 per cent, reflecting increases in tax revenues and other revenues, partially offset by a decrease in EI premium revenues. Program expenses increased by $10.1 billion, or 3.5 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $43 million, or 0.2 per cent.

The April 2017 to March 2018 monthly results are not the final results for the year as a whole. The final results will also reflect end-of-year adjustments that will be made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns. In addition, these results do not include the $4.2-billion fiscal impact of the Government's initiative to enhance veterans' benefits. Taking year-end adjustments into account, results to date are broadly in line with a $19.4-billion deficit projected in Budget 2018 for 2017–18.

The Government will release the final audited outcome for 2017–18 in the *Annual Financial Report of the Government of Canada* in the fall.

March 2018

There was a budgetary deficit of $10.6 billion in March 2018, compared to a deficit of $10.4 billion in March 2017.

Revenues in March 2018 totalled $26.7 billion, up $1.6 billion from March 2017.

- Personal income tax revenues were up $0.4 billion, or 3.8 per cent.
- Corporate income tax revenues were up $0.4 billion, or 9.1 per cent.
- Non-resident income tax revenues were up $0.4 billion, or 185.6 per cent.
- Excise taxes and duties were up $0.2 billion, or 6.8 per cent. Goods and Services Tax (GST) revenues increased by $0.4 billion, energy taxes decreased by $7 million, customs import duties decreased by $36 million, and other excise taxes and duties decreased by $0.1 billion.
- EI premium revenues were up $0.2 billion, or 9.2 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $36 million, or 1.2 per cent.

Program expenses in March 2018 were $34.9 billion, up $1.8 billion, or 5.3 per cent, from March 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $39 million, or 0.5 per cent. Elderly benefits increased by $0.3 billion, or 6.7 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $0.2 billion, or 11.4 per cent. Children's benefits decreased by $28 million, or 1.4 per cent.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (the Canada Health Transfer, the Canada Social Transfer, and the new home care and mental health transfers announced in Budget 2017), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's

cities and communities, and the Quebec Abatement. Major transfers to other levels of government decreased by $0.1 billion, or 1.1 per cent.

- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of consolidated Crown corporations. Direct program expenses were up $1.8 billion, or 9.2 per cent. Within direct program expenses:
    - Transfer payments increased by $3.0 billion, or 42.4 per cent, largely reflecting an increase in transfers to First Nations, as well as a year-over-year difference in the timing of infrastructure transfers.
    - Other direct program expenses decreased by $1.2 billion, or 9.5 per cent, reflecting decreases in consolidated Crown corporation expenses and operating expenses of departments.

Public debt charges increased by $0.1 billion, or 4.8 per cent, due mainly to a higher average effective interest rate on the stock of interest-bearing debt.

April 2017 to March 2018

For the April to March period of the 2017–18 fiscal year, there was a budgetary deficit of $16.2 billion, compared to a deficit of $21.8 billion reported during the same period of 2016–17.

Revenues increased by $15.7 billion, or 5.4 per cent, to $305.9 billion.

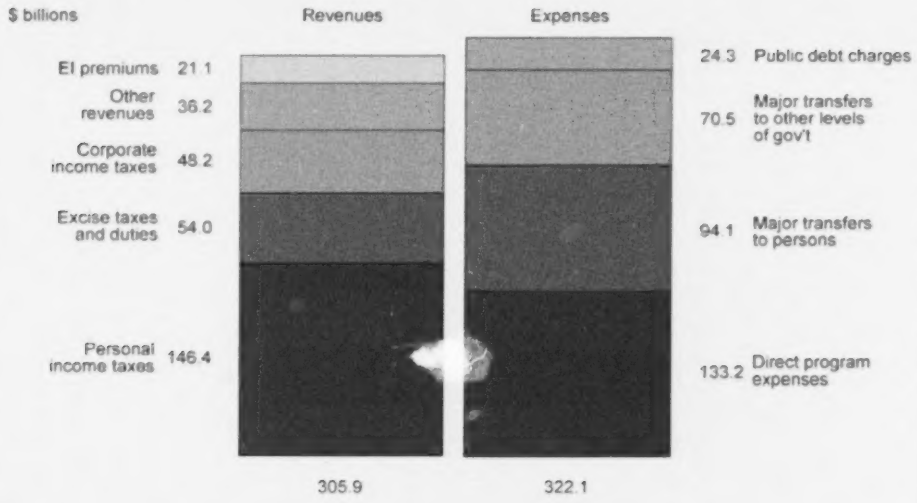
- Personal income tax revenues were up $8.1 billion, or 5.9 per cent.
- Corporate income tax revenues were up $4.2 billion, or 9.7 per cent.
- Non-resident income tax revenues were up $1.2 billion, or 16.8 per cent.
- Excise taxes and duties were up $2.9 billion, or 5.7 per cent. GST revenues were up $2.7 billion, energy taxes increased by $0.2 billion, customs import duties decreased by $25 million, and other excise taxes and duties increased by $0.1 billion.
- EI premium revenues were down $1.3 billion, or 5.9 per cent, reflecting a decline in the premium rate as a result of the seven-year break-even mechanism introduced in 2017.
- Other revenues were up $0.5 billion, or 2.0 per cent.

Program expenses totalled $297.8 billion over the April to March period of 2017–18, up $10.1 billion, or 3.5 per cent, from the same period the previous year.

- Major transfers to persons were up $3.0 billion, or 3.2 per cent. Elderly benefits increased by $2.7 billion, or 5.5 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $1.1 billion, or 5.1 per cent. Children's benefits were up $1.4 billion, or 6.2 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government were up $1.9 billion, or 2.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as payments under the new home care and mental health transfers.
- Direct program expenses were up $5.3 billion, or 4.1 per cent. Within direct program expenses:
    - Transfer payments increased by $3.4 billion, or 8.2 per cent, reflecting increases across a number of departments, in particular increased transfers to First Nations.
    - Other direct program expenses increased by $1.9 billion, or 2.2 per cent, largely reflecting increases in operating expenses of National Defence.

Public debt charges decreased by $43 million, or 0.2 per cent.

Revenues and expenses (April 2017 to March 2018)



Note: Totals may not add due to rounding.

Financial requirement of $6.2 billion for April 2017 to March 2018

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $16.2 billion and a financial source of $10.0 billion from non-budgetary transactions, there was a financial requirement of $6.2 billion for the April 2017 to March 2018 period, compared to a financial requirement of $25.7 billion for the same period the previous year.

Net financing activities up $6.9 billion

The Government financed its financial requirement of $6.2 billion and increased cash balances by $0.8 billion by increasing unmatured debt by $6.9 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of March 2018 stood at $37.7 billion, up $0.8 billion from their level at the end of March 2017.

Table 1
Summary statement of transactions
$ millions

	March		April to March	
	2017	2018	2016–17	2017–18
Budgetary transactions				
Revenues	25,113	26,749	290,229	305,915
Expenses				
Program expenses	-33,158	-34,922	-287,730	-297,801
Public debt charges	-2,343	-2,456	-24,345	-24,302
Budgetary balance (deficit/surplus)	-10,388	-10,629	-21,846	-16,188
Non-budgetary transactions	5,836	16,533	-3,867	10,016
Financial source/requirement	-4,552	5,904	-25,713	-6,172
Net change in financing activities	-2,503	-12,513	24,769	6,947
Net change in cash balances	-7,055	-6,609	-944	775
Cash balance at end of period			36,901	37,677

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	March			April to March		
	2017 ($ millions)	2018 ($ millions)	Change (%)	2016–17 ($ millions)	2017–18 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,696	12,136	3.8	138,293	146,440	5.9
Corporate income tax	4,389	4,787	9.1	43,953	48,199	9.7
Non-resident income tax	201	574	185.6	6,905	8,068	16.8
Total income tax	16,286	17,497	7.4	189,151	202,707	7.2
Excise taxes and duties						
Goods and Services Tax	2,211	2,607	17.9	34,280	36,988	7.9
Energy taxes	461	454	-1.5	5,597	5,749	2.7
Customs import duties	449	413	-8.0	5,441	5,416	-0.5
Other excise taxes and duties	519	414	-20.2	5,799	5,880	1.4
Total excise taxes and duties	3,640	3,888	6.8	51,117	54,033	5.7
Total tax revenues	19,926	21,385	7.3	240,268	256,740	6.9
Employment Insurance premiums	2,306	2,519	9.2	22,420	21,091	-5.9
Other revenues	2,881	2,845	-1.2	27,541	28,084	2.0
Total revenues	25,113	26,749	6.5	290,229	305,915	5.4

Note: Totals may not add due to rounding.

Table 3
Expenses

	March			April to March		
	2017 ($ millions)	2018 ($ millions)	Change (%)	2016–17 ($ millions)	2017–18 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	4,124	4,400	6.7	48,177	50,838	5.5
Employment Insurance benefits	1,826	1,617	-11.4	20,877	19,806	-5.1
Children's benefits	2,010	1,982	-1.4	22,085	23,448	6.2
Total	7,960	7,999	0.5	91,139	94,092	3.2
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,996	3,070	2.5	36,058	37,124	3.0
Canada Social Transfer	1,112	1,146	3.1	13,348	13,748	3.0
Home care and mental health	n/a	0	n/a	n/a	300	n/a
Total	4,108	4,216	2.6	49,406	51,172	3.6
Fiscal arrangements and other transfers	1,775	1,808	1.9	21,596	22,014	1.9
Canada's cities and communities	38	0	n/a	2,102	2,072	-1.4
Quebec Abatement	-222	-389	75.2	-4,451	-4,739	6.5
Total	5,699	5,635	-1.1	68,653	70,519	2.7
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	365	494	35.3	1,567	1,258	-19.7
Employment and Social Development Canada	1,627	1,830	12.5	8,101	8,896	9.8
Global Affairs Canada	1,041	1,058	1.6	4,146	4,403	6.2
Health Canada	401	-158	-139.4	3,225	2,936	-9.0
Indigenous and Northern Affairs Canada	1,411	2,956	109.5	8,960	11,160	24.6
Innovation, Science and Economic Development Canada	1,108	857	-22.7	4,204	4,313	2.6
Other	1,051	2,939	179.6	10,940	11,552	5.6

Total	7,004	9,976	42.4	41,143	44,518	8.2
Other direct program expenses						
Consolidated Crown corporations	1,025	516	-49.7	9,438	8,845	-6.3
National Defence	3,744	3,609	-3.6	25,535	27,426	7.4
All other departments and agencies	7,726	7,187	-7.0	51,822	52,401	1.1
Total other direct program expenses	12,495	11,312	-9.5	86,795	88,672	2.2
Total direct program expenses	19,499	21,288	9.2	127,938	133,190	4.1
Total program expenses	33,158	34,922	5.3	287,730	297,801	3.5
Public debt charges	2,343	2,456	4.8	24,345	24,302	-0.2
Total expenses	35,501	37,378	5.3	312,075	322,103	3.2

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	March		April to March	
	2017	2018	2016–17	2017–18
Budgetary balance (deficit/surplus)	-10,388	-10,629	-21,846	-16,188
Non-budgetary transactions				
Capital investment activities	-3,141	-1,396	-7,125	-3,911
Other investing activities	663	309	-7,452	-3,668
Pension and other accounts	337	-174	7,111	5,546
Other activities				
Accounts payable, receivables, accruals and allowances	7,126	14,351	3,763	9,233
Foreign exchange activities	-856	4,152	-5,259	1,860
Amortization of tangible capital assets	1,707	-709	5,095	956
Total other activities	7,977	17,794	3,599	12,049
Total non-budgetary transactions	5,836	16,533	-3,867	10,016
Financial source/requirement	-4,552	5,904	-25,713	-6,172

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	March		April to March	
	2017	**2018**	**2016–17**	**2017–18**
Financial source/requirement	-4,552	5,904	-25,713	-6,172
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-1,700	-3,898	32,240	38,715
Treasury bills	200	-4,200	-1,400	-26,000
Retail debt	-23	-66	-543	-1,948
Total	-1,523	-8,164	30,297	10,767
Foreign currency borrowings	-1,110	-4,333	-4,873	-1,560
Total	-2,633	-12,497	25,424	9,207
Cross-currency swap revaluation	339	488	-628	71
Unamortized discounts and premiums on market debt	-203	-97	275	-1,855
Obligations related to capital leases and other unmatured debt	-6	-407	-302	-476
Net change in financing activities	-2,503	-12,513	24,769	6,947
Change in cash balance	-7,055	-6,609	-944	775

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2017	March 31, 2018	Change
Liabilities			
Accounts payable and accrued liabilities	132,519	145,519	13,000
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	536,280	574,995	38,715
Treasury bills	136,700	110,700	-26,000
Retail debt	4,533	2,585	-1,948
Subtotal	677,513	688,280	10,767
Payable in foreign currencies	17,609	16,049	-1,560
Cross-currency swap revaluation	7,764	7,835	71
Unamortized discounts and premiums on market debt	5,322	3,467	-1,855
Obligations related to capital leases and other unmatured debt	5,425	4,949	-476
Total unmatured debt	713,633	720,580	6,947
Pension and other liabilities			
Public sector pensions	151,806	150,940	-866
Other employee and veteran future benefits	93,568	100,032	6,464
Other liabilities	5,689	5,637	-52
Total pension and other liabilities	251,063	256,609	5,546
Total interest-bearing debt	964,696	977,189	12,493
Total liabilities	1,097,215	1,122,708	25,493
Financial assets			
Cash and accounts receivable	158,055	162,597	4,542
Foreign exchange accounts	98,797	96,937	-1,860

Loans, investments, and advances (net of allowances)[1]	124,006	127,269	3,263
Public sector pension assets	1,900	1,900	0
Total financial assets	382,758	388,703	5,945
Net debt	714,457	734,005	19,548
Non-financial assets	82,558	85,513	2,955
Federal debt (accumulated deficit)	631,899	648,492	16,593

Note: Totals may not add due to rounding.

[1] March 31, 2018 amount includes $0.4 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2017 to March 2018 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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